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SENATE JOINT RESOLUTION NO. 347
AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Joint Conference Committee
on February 22, 2003)

(Patron Prior to Substitute—Senator Hanger)

Establishing the Commission on the Revision of Virginia's State Tax Code and the Streamlined Sales Tax Project Agreement. Report.

WHEREAS, House Joint Resolution No. 685 (2001) and Senate Joint Resolution 387 (2001) established the Joint Subcommittee to Study and Revise Virginia's State Tax Code; and

WHEREAS, House Joint Resolution No. 60 (2002) continued the study to further examine state and local taxes; and

WHEREAS, at the end of its first two years the joint subcommittee made 12 recommendations resulting in legislation and budget amendments for the 2003 Session that would (i) create an administrative procedure with standards for approving charitable organization sales tax exemptions; (ii) restore conformity with federal income tax law, with certain exceptions; (iii) revise the administrative appeals process for income taxpayers to provide for no payment of tax in advance of adjudication; (iv) eliminate June accelerated retail sales tax collections in the 2002-2004 budget; (v) revise the property tax appeals process to clarify procedures and the standard of proof for taxpayers; (vi) phase out the estate tax beginning in FY 2005; and (vii) require the purchaser to report the greater of the actual purchase price or the National Automobile Dealers' Association value (less \$1,500) for casual sales of motor vehicles that are no more than five years old; and

WHEREAS, to simplify and facilitate taxation of interstate sales, there has been an ongoing study of the sales and use tax at the national level, known as the Streamlined Sales Tax Project, for the past several years in which Virginia has participated during the past year; and

WHEREAS, an agreement was finalized among the states participating in the Project in November of 2002; and

WHEREAS, further examination, impact, and comparison of the agreement with Virginia's laws regarding sales and use tax is needed so that the General Assembly may decide whether Virginia should adopt the terms of the agreement; and

WHEREAS, because of the (i) sheer complexity and interconnection of tax policy issues and the voluminous documents and proposals that were submitted to the joint subcommittee, not all of which have been fully analyzed; (ii) lack of consensus among stakeholder task forces on key issues such as revenue sharing, equalization of taxing authority, and local business license tax reform, which caused the joint subcommittee to agree to extend the study for a third year on major restructuring issues; and (iii) pressing nature of the Commonwealth's fiscal situation, which has diverted legislative and executive attention from tax restructuring, these issues and others pertaining to Virginia's State Tax Code and the Streamlined Sales Tax Project Agreement should be examined simultaneously; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Commission on the Revision of Virginia's State Tax Code and the Streamlined Sales Tax Project Agreement be established. The Commission shall consist of 12 members that include 10 legislative members and 2 ex officio members. Members shall be appointed as follows: 6 members of the House of Delegates to be appointed by the Speaker of the House of Delegates, in accordance with the principles of proportional representation contained in the Rules of the House of Delegates, of whom 1 member shall be the Chairman of the House Committee on Finance; and 4 members of the Senate, of whom 1 member shall be the Chairman of the Senate Committee on Finance, upon the recommendation of the President Pro Tempore of the Senate, to be appointed by the Senate Committee on Privileges and Elections; and the Secretary of Finance and the State Tax Commissioner or their designees, to serve as ex officio members without voting privileges. The Commission shall elect a chairman and vice chairman from among its membership, who shall be members of the General Assembly.

In conducting its study, the Commission shall (i) examine the allocation of state and local government services and responsibilities; (ii) conduct a comprehensive review of the revenue impact of all tax preferences, including subtractions, deductions, credits, and exemptions; (iii) evaluate the tax rates for all major state taxes to determine their sufficiency and appropriateness in the modern economy; and (iv) consider the appropriateness of adopting the policies in the Streamlined Sales Tax Project Agreement and identify and evaluate changes that may be needed in Virginia's sales and use tax laws to facilitate Virginia's compliance with the agreement should the General Assembly decide to adopt such policies.

Administrative staff support shall be provided by the Office of the Clerk of the Senate. Legal, research, policy analysis, and other services as requested by the Commission shall be provided by the

60 Division of Legislative Services. Technical assistance shall be provided by the staffs of the Senate
61 Committee on Finance and House Committee on Appropriations, and the Department of Taxation. All
62 agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request.

63 The Commission shall be limited to five meetings during the 2003 interim, and the direct costs of
64 this study shall not exceed \$12,500 without approval as set out in this resolution.

65 At the option of a majority of the members of the Senate appointed to the Commission or a majority
66 of the House of Delegates members appointed to the Commission, no recommendation of the
67 Commission shall be adopted without the approval of a majority of such members of the Senate and a
68 majority of such members of the House of Delegates. For the purpose of this provision, a "majority"
69 constitutes the majority of members present and voting at the meeting of the Commission.

70 The Commission shall complete its meetings by November 30, 2003, and the chairman shall submit
71 to the Division of Legislative Automated Systems an executive summary of its findings and
72 recommendations no later than the first day of the 2004 Regular Session of the General Assembly. The
73 executive summary shall state whether the Commission intends to submit to the Governor and the
74 General Assembly a report of its findings and recommendations for publication as a legislative
75 document. The executive summary and report shall be submitted as provided in the procedures of the
76 Division of Legislative Automated Systems for the processing of legislative documents and reports and
77 shall be posted on the General Assembly's website.

78 Implementation of this resolution is subject to subsequent approval and certification by the Joint
79 Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or
80 delay the period for the conduct of the study, or authorize additional meetings during the 2003 interim.